MEMORANDUM

July 3, 2019

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Willie Adams, Vice President
Hon. Gail Gilman
Hon. Victor Makras
Hon. Doreen Woo Ho

FROM: Elaine Forbes
Executive Director

SUBJECT: Informational presentation on the Phase Submittal for Phase 1 of the Mission Rock Project at Seawall Lot 337, bounded by China Basin Channel, Third Street, Mission Rock Street and San Francisco Bay

DIRECTOR’S RECOMMENDATION: Information Only – No Action Required

Executive Summary

On January 30, 2018, the Port Commission approved a mixed-use development project known as Mission Rock at Seawall Lot 337 and Pier 48 (the “Project”). Subsequently, on February 13, 2018, the San Francisco Board of Supervisors approved the Project, and on August 15, 2018, Mayor Farrell signed all Project-related documents.

The Port’s partner for development of the Project is Seawall Lot 337 Associates, LLC (“Developer”), an affiliate of the San Francisco Giants and Tishman Speyer. The Project’s development is governed by the Disposition and Development Agreement (“DDA”) and related agreements between the Port and the Developer. Consistent with the requirements of the DDA, the Developer has submitted a Phase Submittal for Phase I of the Project. This memorandum provides a summary of the Phase Submittal, the review and approval process, and next steps Port staff are undertaking to prepare for an anticipated approval item at the August Port Commission meeting.

Background on Project

The entitled Mission Rock project provides for the construction of up to 1,600 units of new, rental housing, 1.4 million square feet of new commercial and office space, and rehabilitation of historic Pier 48, as well as space for small-scale manufacturing, retail and neighborhood services, waterfront parks, and public infrastructure. The Mission Rock mixed-use project is located at Seawall Lot (“SWL”) 337 and Pier 48 bound by China Basin Channel, Third Street, Mission Rock Street, and San Francisco Bay.
The Project approved last year and now on the precipice of construction, represents 11 years of effort, led by the Port Commission, Port and City staff, and the Developer. These efforts include State legislation; neighborhood planning and neighborhood outreach; infrastructure planning and design; shoreline and sea level rise resiliency planning; development of a Special Use District; and successful collaborations with regulators and partner agencies related to topics like workforce development, affordable housing, transportation, public access, and park development.

**Project Status**

Following Port Commission approval 18 months ago, the Project team secured approvals from the following regulatory entities:

1. Bay Conservation and Development Commission
2. State Lands Commission
3. Board of Supervisors

The Project achieved full entitlement with executed transaction documents, enabling our development partner, the San Francisco Giants, to enter a partnership agreement with national developer Tishman Speyer to jointly execute the project. Developer has assembled a comprehensive team of experienced horizontal and vertical development experts and has been working intensely to advance the Project on multiple fronts. Major milestones reached include the following submittals: Tentative Subdivision Map, sitewide Basis of Design, and first submittal of the Street Improvement Permit. Developer also: (a) has conducted a request for proposals process consistent with the requirements of the DDA and selected a general contractor, Granite Construction, to manage Phase 1 infrastructure construction, (b) has retained four architecture firms who have been working collaboratively on the designs of the Phase 1 buildings,1 and (c) is exceeding the Workforce Development Plan’s 10% local business enterprise (LBE) goal for pre-construction contract expenditures.

This informational item is focused on another key Project implementation document, the Phase 1 Submittal.

**Phase Submittal Overview**

The Phase Submittal is required to provide an overview of the design, expected cost and payment sources for the phase improvements in sufficient detail for the Port to determine consistency with the approved transaction documents. Under the DDA Schedule of Performance, the Developer must submit the Phase 1 Submittal prior to August 15, 2021. In addition, Developer may not make reimbursable expenditures on Project hard costs, prior to receipt of the Port’s approval of the phase. The document is the final submittal the Developer must provide to the Port Commission prior to the start of infrastructure construction at the site and is a critical milestone for the Mission Rock Project.2

---

1 Schematic designs for the buildings are expected to be submitted late this Summer or early in the Fall.
2 The Developer also must secure appropriate approvals and permits from the City’s infrastructure agencies; pursuit of these is well underway. The Port Commission will also have approval rights over public park designs in Phase 1 which will come to a future Port Commission meeting.
Port staff are pleased to report that Developer delivered the Phase Submittal for Port review well ahead of the deadline, on April 24, 2019. The Phase Submittal described key aspects of the phase including:

1. Phase Budget
2. Affordable Housing Subsidy Plan
3. Parks Plan
4. Event Management Plan
5. Retail Plan
6. Management Agreement Term Sheet
7. Covenants, Conditions, and Restrictions (CCRs)

Port staff has confirmed the Phase Submittal for Phase 1 is complete pursuant to the requirements in the DDA and is now working with Developer to review elements of the submittal to ensure full compliance with the transaction documents. One key aspect under Port staff review is the Phase Budget which is subject to future Port Commission approval, anticipated to be presented for review and action at the next Port Commission meeting.

Summary of Phase 1 Submittal

Phase 1 Development Program

The Phase Submittal for Phase 1 includes the construction of infrastructure, extension of the street grid, new parks and open space, and preparation of four development pads that will support and enable the development of up to 630 residential units, 550,000 gross square feet (“gsf”) of office, and approximately 65,000 gsf of retail space.

Key Outcomes of the Phase 1 Implementation

The following is a summary of the infrastructure and public benefits that are included in the Developer’s Phase 1 Submittal, as further detailed in Exhibit 1.

- **Streets**: Exposition Street and portions of Shared Public Way, Bridgeview, Channel and 3rd Street, as well as new intersection and signalization improvements for gateway streets (Exposition and 3rd Streets); note that street names are placeholders at this time; Developer to submit proposed final street names for Port review and approval;

- **Utilities**: a low-pressure water main; a non-potable water main; an auxiliary water supply main and hydrants; a separated sewer main and pump station; a stormwater main; dry utility systems, including electricity, natural gas, and communications; and an innovative Mission Rock-wide private utility system for recycled water and central plant heating/cooling district energy system;

- **Affordable Housing**: 202 inclusionary housing units in 2 residential buildings;

- **Workforce**: funding for workforce development, including Tech SF, City Build and YCD; a local hire program that includes 30% percent local hire for construction jobs and participation in the First Source hiring program; and a 20% LBE goal once construction commences later this year;
- Parks and Open Space: 5.1 acres of open space including the expanded China Basin Park and promenade, connecting 3rd Street and the Lefty O'Doul Bridge to Pier 48 through the northern edge of the project; and

- Transportation: the establishment of a Transportation Management Agency; transportation demand management measures such as bike parking, bike share stations, car share parking, and transit subsidies; new bike lanes; and pedestrian safety improvements.

Notably, after the performance of further infrastructure design and due diligence Developer has proposed the use of lightweight cellular concrete ("LCC") in street areas instead of the previously proposed pile-supported streets strategy. Developer and Port staff are in close coordination with City infrastructure agency staff to evaluate this proposed application with the goal of establishing appropriate design and peer review strategies and financial safeguards to ensure the successful operation of the streets once installed and accepted by the City. Use of LCC will avoid significant seismic safety costs of the pile-supported structures and in doing so will enable the Phase to move forward. Port staff will provide further detail as part of the Phase Budget action item proposed for August 13, 2019.

**Phasing Boundary**

The four development pads proposed for Phase 1 are parcels A, B, G, and F. At Project approvals last year, the preliminary boundaries of Phase 1 included parcel K to the east of parcel G and did not include parcel F.

After additional due diligence, Developer has proposed replacing parcel K with parcel F to increase the number of housing units in Phase 1 and to enhance early placemaking through the creation a fully built-out intersection at Shared Public Way and Exposition Street. In considering Developer's proposal Port staff are required to evaluate whether the revised plan is consistent with the phasing goals in the DDA, which require that each phase: provide proportionate public benefits, develop in an orderly and functional manner, maintain the feasibility of later phases, provide affordable housing consistent with the approved Housing Plan, and be consistent with the Port's fiduciary duties as trustee of the public trust. Port staff have evaluated the phase boundaries for Phase 1 and found them to meet the thresholds set forth in the DDA. See Figure 1 on the following page which depicts this change in Phase 1 geography.
Key Sections of the Phase Submittal

Exhibit 1 provides a summary of the Phase 1 Submittal. Below are overviews of portions of the Phase Submittal that will be presented to the Port Commission at a subsequent meeting for action.

- Affordable Housing Subsidy Plan. The DDA requires that the Developer include this subsidy Plan as part of the Phase Submittal. The proposed Phase 1 Affordable Housing Subsidy Plan requires that the two Phase 1 office projects pay the Jobs Housing Equivalency Fee (JHEF) when the first building permit is issued. The two Phase 1 residential projects will request their proportionate share of the JHEF when the residential building foundations have been completed. If the residential projects proceed in advance of the office projects, the office projects will be required to pay the JHEF in advance of their first building permit.

These milestones for payment and receipt of JHEF are consistent with fee transfer structures in Transbay and provide a clear path for residential developers to reliably plan for the infusion of JHEFs. The Developer has also proposed that the Port increase the JHEF above the minimum required in the project’s Development Agreement (DA). This increase facilitates a larger transfer in value from office to residential than is minimally required by the DA. Port staff will bring this element of the proposal forward in more detail as part of the Phase 1 Budget presentation anticipated to be provided to the Port Commission on August 13, 2019.
• **Parks Plan and Event Management Plan.** The Project DDA and the DA require that the Port Commission adopt a Parks Plan for Mission Rock open spaces. The *Parks and Public Realm Plan and Event Management Plan* submitted as part of the Phase 1 Submittal aim to create a framework for the management and regulation of the public parks and open spaces at Mission Rock. Port staff are working with Developer to better define the terms on which China Basin Park will be operated, maintained and programmed, and will present those specifics at the August 13, 2019 meeting. The Port Commission will also have an opportunity to review the design of China Basin Park, likely this fall. In the meantime, the following is a summary of the key aspects of the Phase Submittal as it relates to parks and events:

  o **Park Character.** The Plan describes the desired character of each public area included (see Figure 2):

    ▪ China Basin as a vibrant active park with a strong relationship to the ballpark and the waterfront;
    ▪ Mission Rock Square, the “urban living room” and community centerpiece of the Project;
    ▪ Pier 48 and Channel Wharf will celebrate the industrial wharf character, tie the Project to its working waterfront history, and provide public access and views to the water;
    ▪ Channel Street and Channel Lane which will offer smaller spaces and be important circulation corridors; and
    ▪ Shared Public Way, another intimate pedestrian-oriented street.

  o **Park Design and Activation.** The Mission Rock Public Spaces will be designed and operated with the primary goals of broad public access and a robust program of public activation. To achieve public activation, the Plan proposes a palette of event types for each public area, recognizing different conditions for each site. These include small or ‘quiet’ events (fishing classes, temporary reading rooms, areas with free Wi-Fi); user-focused events (puppet shows, story hour, fitness classes, and maker workshops); and larger general audience events like live music, movie night, biergarten, and ballpark event-day entertainment.

  o **Park Programming.** Programming is a key to the success of the public space network at the site, bringing people to public spaces again and again, fostering a community sense of ownership of the space. That said, public spaces must also provide ample space for members of the public seeking an “unprogrammed” or quiet contemplation park experience. The Parks Plan proposes adoption of the limitations on programming set forth in the Project’s BCDC Permit which is also consistent with the limitation on park events in the Project’s approved DA. The limitations per year include the below:

    ▪ Free public events occupying up to 10,000 square feet: Up to 100 event days
    ▪ Ticketed public events: Up to 24 event days
    ▪ Promotional activities: Up to 50 event days
    ▪ Private events: Up to 18 event days

  o **Event Management Plan.** This Plan includes an anticipated approach to management pedestrian activity, vehicle flows, and bicycle parking before, during, and after events at the Ballpark, events at the project, and events
at nearby events venues including Chase Center. The Plan includes a variety of management tools including: Transportation Demand Management (as required under the Project’s environmental mitigation program); communication and wayfinding; programs and physical measures like bike valet, bike parking, and designated passenger un/loading facilities; dynamic parking pricing; and coordination with Chase Center and Oracle Park event managers, among other measures.

Implementation of the Event Management Plan will be executed by the Mission Rock Transportation Manager, working closely with SFMTA staff, and partners at BART, Caltrain, WETA, Golden Gate Ferry, and the Port.

**Figure 2. Site Plan Image**

- **Retail Program.** The Retail Program is the Developer’s plan to develop and retain a ground floor mix that activates the Project and includes a full menu of public trust uses for the area, including parks, walkways, roadways, restaurants, hotels, maritime training, sales and retail, waterfront visitor serving retail, and other trust uses. In Phase 1, about 65,000 square feet of retail is proposed across the four parcels, ranging from 13,000 square feet in parcel F up to 20,000...
square feet in parcel B. The Retail Program for Phase 1 is proposed to respond to current and emerging retail themes including:

- “The Rise of Experiences” - experience-oriented retail
- “Wellness Revolution” - Fitness and health
- “Identify through Food” – Specialty food and beverage
- “Omnichannel Retail” – Online-first retailers with limited stores
- “Too Small to Fail” – Strategic sizing of retail space to provide store-sizes for a wide variety of retailers
- “New Discoveries” – Variety and novelty in tenant selection

**Phase Budget.** The Phase Budget includes all Phase 1 costs (actual expenditures, projected costs for the phase based upon bids, and Developer return) and all projected Phase 1 sources of funds (land proceeds from pre-paid leases, Mello-Roos bonds, and Mello-Roos and tax increment ‘pay-as-you-go’ funding sources no pledged or required to pay debt service on bonds. Port staff are directing review of this critical portion of the Phase Submittal with assistance from the Port’s economics consultant, Port’s cost estimate reviewing consultant, and the City’s Office of Public Finance. In addition, four appraisals of the four parcels are underway which will set the value of the pre-paid leases in Phase 1. Port staff anticipates presenting the results of this analysis at the August 13, 2019 Port Commission meeting.

**Status of Review**

Port staff has reviewed the Phase Submittal and on June 20, 2019 confirmed its completeness. Pursuant to Section 3.4(b) of the DDA, Port staff has 30 days from completeness determination to assess whether the Phase Submittal complies with the Project Requirements including that it 1) meets DDA and regulatory requirements and 2) delivers a mix of market rate development, public infrastructure and other public benefits that are consistent with the Phasing Plan attached to the DDA. Subsequent to that determination, the DDA requires Port staff to submit the Phase Budget to the Port Commission for approval.

To preview the Phase Budget approval item, the DDA sets forth the Port Commission’s criteria in reviewing the Phase Budget as follows:

**“Criteria for Approval.** The Port Commission will approve the Phase Budget or modification if it reasonably finds that the Phase Budget or modification:

(i) is consistent with the Funding Goals and Project Requirements and satisfies the Budget Guidelines;

(ii) is based on reasonable projections;

(iii) provides for sources sufficient to fund the Phase and any carryover from Prior Phases;

(iv) would not adversely affect Project Payment Sources available to satisfy the Project Payment Obligation for any Later Phases and the Project as a whole; and

(v) would not impair the Port’s fiduciary obligations under Applicable Port Laws.
**Effect of Approval.** If the Phase Budget is approved by the Port Commission, such action will have the effects described below.

(i) The approval will establish the outside date for Developer to finally complete Phase 1 improvements, based upon the estimated construction schedule (as extended by excusable delays).

(ii) Unless the Parties agree otherwise, the Port will be obligated to submit a Port FY Budget for each City Fiscal Year during the Phase that is consistent with the approved Phase Budget. If the Phase Budget includes Port capital contributions, Port Commission approval will be the Port’s binding commitment to invest Port capital.

(iii) The Chief Harbor Engineer and the Director of Public Works will be authorized to issue construction permits to Developer for approved Phase Improvements (upon completion of all subdivision map activities, etc.).

(iv) The Phase Budget, including all allowances, contractor contingencies, Developer Contingency, and approved amendments, will establish the upper limit of spending by Developer that will be authorized for reimbursement under the Financing Plan.”

**Public Outreach**

Consistent with the Special Use District legislation approved by the Board of Supervisors, the Developer is scheduled to make an informational presentation regarding the Phase Submittal to the Planning Commission on July 25, 2019. The Developer will also give an informational presentation to the Central Waterfront Advisory Group this summer, consistent with the requirements of the DDA.

**Next Steps**

- Port staff to complete compliance review of Phase Submittal
- Port staff to confirm Phase Budget complies with all DDA requirements
- Port staff to present Phase Budget & Parks Plan for Port Commission consideration on August 13, 2019
- China Basin Park design informational presentation to the Port Commission this fall

Prepared by: Phil Williamson
Development Project Manager

Rebecca Benassini
Assistant Deputy Director

For: Michael Martin, Deputy Director
Real Estate and Development

**EXHIBITS**

Exhibit 1: Summary of Phase Submittal for Phase 1